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August 7, 2026

RBI invites comments on the draft "Reserve Bank of India (Commercial Banks – Prudential Norms on Capital Adequacy) Eleventh Amendment Directions, 2026"

The Reserve Bank of India has today released the draft Reserve Bank of India (Commercial Banks – Prudential Norms on Capital Adequacy) Eleventh Amendment Directions, 2026, which propose to amend 'Chapter VII: Leverage Ratio framework' of the Reserve Bank of India (Commercial Banks – Prudential Norms on Capital Adequacy) Directions, 2025. The amendment endeavours to implement the latest leverage ratio framework ('Leverage Ratio 2017 Standard') issued by the Basel Committee on Banking Supervision.

The comments on the draft Amendment Directions are invited till August 28, 2026. The comments / feedback may be submitted through the link under the 'Connect 2 Regulate' section available on the Reserve Bank's website. Alternatively, the comments may be forwarded to:

The Chief General Manager, Balance Sheet Group
Department of Regulation, Central Office
Reserve Bank of India,
12th Floor, Central Office Building
Shahid Bhagat Singh Marg, Fort,
Mumbai – 400001

or

by email with the subject line 'Feedback on Reserve Bank of India (Commercial Banks – Prudential Norms on Capital Adequacy) Eleventh Amendment Directions, 2026'.

(Brij Raj)
Chief General Manager

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RBI/2026-27/__
DOR.CAP.REC.XX/21-02-002/2026-27 XX, 2026

Reserve Bank of India (Commercial Banks – Prudential Norms on Capital Adequacy) Eleventh Amendment Directions, 2026 - Draft

Please refer to 'Chapter VII: Leverage Ratio framework' of the Reserve Bank of India (Commercial Banks – Prudential Norms on Capital Adequacy) Directions, 2025 (hereinafter referred to as 'the Directions'). To ensure alignment with the latest leverage ratio framework ('leverage ratio 2017 standard') issued by the Basel Committee on Banking Supervision, there is a felt need to amend these Directions.

2. Accordingly, in exercise of the powers conferred by Section 35A of the Banking Regulation Act, 1949 and all other provisions / laws enabling the Reserve Bank of India to issue instructions in this regard, the Reserve Bank being satisfied that it is necessary and expedient in the public interest so to do, hereby, issues the Amendment Directions hereinafter specified.

3. These instructions shall be called the Reserve Bank of India (Commercial Banks - Prudential Norms on Capital Adequacy) Eleventh Amendment Directions, 2026.

4. These Amendment Directions modify the Directions as under:

4(1) Paragraph 262 shall be substituted with the following, namely:

"262. The definition, minimum requirement, and the scope of application of the leverage ratio shall be as under:

(1) The Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as a percentage:

$$\text{Leverage Ratio} = \frac{\text{Capital Measure}}{\text{Exposure Measure}}$$

(2) The minimum leverage ratio for a domestic systemically important bank (D-SIB) shall be 4 per cent and 3.5 per cent for other banks. Branch of a global systemically important bank (G-SIB) in India (hereinafter referred to as 'G-SIB branch') shall maintain a leverage ratio of 3.5 per cent plus the leverage ratio

buffer applicable to it as a G-SIB (including any additional leverage ratio buffer prescribed by the home regulator).

(3) Capital distribution constraints will be imposed on a G-SIB branch which does not meet its leverage ratio buffer requirement. The capital distribution constraints imposed on the branch will depend on its common equity tier 1 (CET1) risk-based ratio and its leverage ratio as under:

(i) A G-SIB branch which meets both its CET1 risk-based capital requirements (defined as a 5.5 per cent minimum requirement, a 2.5 per cent capital conservation buffer, the G-SIB higher loss-absorbency requirement, and countercyclical capital buffer if applicable) and its Tier 1 leverage ratio requirement (defined as a 3.5 per cent leverage ratio minimum requirement and the G-SIB leverage ratio buffer) will not be subject to minimum capital conservation standards.

(ii) A G-SIB branch which does not meet one of these requirements will be subject to the associated minimum capital conservation standards.

(iii) A G-SIB branch which does not meet both requirements will be subject to the higher minimum capital conservation standard related to its risk-based capital requirement or leverage ratio.

(4) The table below shows the minimum capital conservation standards for the CET1 risk-based requirements and Tier 1 leverage ratio requirements of a G-SIB branch in the first bucket of the higher loss-absorbency requirements (i.e., where a 1 per cent risk-based G-SIB capital buffer applies):

CET1 risk-based ratio	**Tier 1 leverage ratio**	**Minimum capital conservation ratios (expressed as a percentage of earnings)**
5.5%–6.375%	3.5%–3.625%	100%
> 6.375%–7.25%	> 3.625%–3.75%	80%
> 7.25%–8.125%	> 3.75%–3.875%	60%
> 8.125%–9%	> 3.875%–4.0%	40%
> 9.0%	> 4.0%	0%

(5) Both the capital measure and the exposure measure are to be calculated on a quarter-end basis. However, a bank may, subject to the Reserve Bank's

approval, use more frequent calculations (e.g., daily or monthly averaging) as long as it does so consistently.

(6) A bank shall meet the minimum leverage ratio requirement at all times."

4(2) Sub-paragraph (1) of paragraph 263 shall be substituted with the following, namely:

“(1) The Basel III leverage ratio framework shall follow the same scope of regulatory consolidation, including consolidation criteria, as is used for the risk-based capital framework [refer to paragraph 8 of these Directions].”

4(3) For paragraphs 265 to 269, the following shall be substituted, namely:

“265. General measurement principle

(1) The leverage ratio exposure measure generally follows gross accounting values.

Note - If a long settlement transaction is classified as a derivative according to the applicable accounting standards, the Basel III leverage ratio exposure measure has to be calculated according to paragraph 267 on ‘Derivative exposures’. Similarly, if a failed trade is classified as a receivable according to the applicable accounting standards, the exposure measure has to be calculated according to paragraph 266 on ‘On-balance sheet exposures’. Securities financing transactions (SFTs) that have failed to settle are excluded from the described treatment and their exposure measure must be calculated according to paragraph 268 on ‘Securities Financing Transaction (SFT) exposures’.

(2) Unless specified differently below, a bank shall not (i) take account of physical or financial collateral, guarantees or other credit risk mitigation techniques to reduce the leverage ratio exposure measure; and (ii) net assets and liabilities.

(3) Any item deducted from Tier 1 capital and regulatory adjustments other than those related to liabilities shall be deducted from the leverage ratio exposure measure. A non-exhaustive list of examples is provided below:

(i) where a banking, financial or insurance entity is not included in the regulatory scope of consolidation, the amount of any investment in the capital of that entity that is totally or partially deducted from CET1 capital or from AT1 capital of the bank following the corresponding deduction approach in paragraph 28, shall also be deducted from the leverage ratio exposure measure;

(ii) prudent valuation adjustments (PVAs) for exposures to less liquid positions, other than those related to liabilities, that are deducted from Tier 1 capital as per paragraph 213 of these Directions, shall be deducted from the leverage ratio exposure measure.

(4) Liability items shall not be deducted from the leverage ratio exposure measure. For example, gains / losses on fair valued liabilities or accounting value adjustments on derivative liabilities due to changes in the bank's own credit risk as described in paragraph 28(5) of these Directions shall not be deducted from the leverage ratio exposure measure.

(5) With regard to traditional securitisations, an originating bank may exclude securitised exposures from its leverage ratio exposure measure if the securitisation meets the operational requirements for the recognition of risk transference as described in paragraph 96 of these Directions. A bank meeting these conditions shall include any retained securitisation exposures in its leverage ratio exposure measure. In all other cases, for example traditional securitisations that do not meet the operational requirements for the recognition of risk transference or synthetic securitisations, the securitised exposures shall be included in the leverage ratio exposure measure.

(6) A bank shall be particularly vigilant to transactions and structures that have the result of inadequately capturing its sources of leverage. An illustrative list of examples of concerns that may arise in such leverage ratio exposure measure minimising transactions and structures include:

(i) SFTs where exposure to the counterparty increases as the counterparty's credit quality decreases or SFTs in which the credit quality of the counterparty is positively correlated with the value of the securities received in the transaction (i.e., the credit quality of the counterparty falls when the value of the securities falls);

(ii) a bank that normally acts as principal but adopts an agency model to transact in derivatives and SFTs in order to benefit from the more favourable treatment permitted for agency transactions under the leverage ratio framework;

(iii) collateral swap trades structured to mitigate inclusion in the leverage ratio exposure measure; or

(iv) use of structures to move assets off the balance sheet.

Where the Reserve Bank has concerns that such transactions are not adequately captured in the leverage ratio exposure measure or may lead to a potentially destabilising deleveraging process, it may consider a range of actions to address such concerns. Supervisory actions may *inter alia* include requiring enhancements in a bank's management of leverage, imposing operational requirements (e.g., additional supervisory reporting) and / or requiring that the relevant exposure is adequately capitalised through a Pillar 2 capital charge.

(7) To facilitate the implementation of monetary policies, the Reserve Bank may temporarily exempt central bank reserves (i.e., balance maintained with the Reserve Bank) from the leverage ratio exposure measure in exceptional macroeconomic circumstances. To maintain the same level of resilience provided by the leverage ratio, the Reserve Bank will also increase the calibration of the minimum leverage ratio requirement commensurately to offset the impact of exempting central bank reserves. In addition, in order to maintain the comparability and transparency of the leverage ratio framework, a bank shall be required to disclose the impact of any temporary exemption alongside ongoing public disclosure of the leverage ratio without application of such exemption.

(8) A bank's total leverage ratio exposure measure is the sum of the following exposures:

(i) on-balance sheet exposures (excluding on-balance sheet derivative and SFT exposures);

(ii) derivative exposures;

(iii) SFT exposures; and

(iv) off-balance sheet (OBS) items.

The specific treatments for these four main exposure types are provided in paragraphs 266 to 269 below.

266. On-balance sheet exposures

(1) A bank shall include all balance sheet assets in its leverage ratio exposure measure, including on-balance sheet derivatives collateral and collateral for SFTs, except for on-balance sheet derivative and SFT assets that are covered in paragraphs 267 and 268 below.

Note - Where a bank according to its operative accounting framework recognises fiduciary assets on the balance sheet, these assets can be excluded from the leverage ratio exposure measure provided that the assets meet the criteria for derecognition and, where applicable, for deconsolidation as per applicable accounting standards.

(2) On-balance sheet, non-derivative assets shall be included in the leverage ratio exposure measure at their accounting values less deductions for associated specific provisions. In addition, general provisions or general loan loss reserves as defined in paragraph 21(i), which have reduced Tier 1 capital, shall be deducted from the leverage ratio exposure measure.

(3) Treatment of unsettled trades

(i) For the purpose of the leverage ratio exposure measure, a bank using trade date accounting for unsettled trades shall reverse out any offsetting between cash receivables for unsettled sales and cash payables for unsettled purchases of financial assets that may be recognised under the applicable accounting framework, but may offset between those cash receivables and cash payables (regardless of whether such offsetting is recognised under the applicable accounting framework) if the following conditions are met:

(a) the financial assets bought and sold that are associated with cash payables and receivables are fair valued through income and included in the trading book as defined in paragraph 4(34); and

(b) the transactions of the financial assets are settled on a delivery-versus-payment (DvP) basis.

Note - For the purposes of this treatment, ‘unsettled trades’ refer to regular-way purchases or sales of financial assets that have not been settled. ‘Regular-way purchases or sales’ are purchases or sales of financial assets under contracts for which the terms require delivery of the assets within the time frame established generally by regulation or convention in the marketplace concerned.

(ii) A bank using settlement date accounting will be subject to the treatment set out in paragraphs 269(1), 269(2), 269(3), and 269(4).

(4) Treatment of cash pooling arrangements

(i) For purposes of the leverage ratio exposure measure, where a cash pooling arrangement entails a transfer at least on a daily basis of the credit and / or debit balances of the individual participating customer accounts into a single account balance, the individual participating customer accounts are deemed to be extinguished and transformed into a single account balance upon the transfer provided the bank is not liable for the balances on an individual basis upon the transfer. Thus, the basis of the leverage ratio exposure measure for such a cash pooling arrangement is the single account balance and not the individual participating customer accounts.

(ii) When the transfer of credit and / or debit balances of the individual participating customer accounts does not occur daily, for purposes of the leverage ratio exposure measure, extinguishment and transformation into a single account balance is deemed to occur and this single account balance may serve as the basis of the leverage ratio exposure measure provided all of the following conditions are met:

(a) in addition to providing for the several individual participating customer accounts, the cash pooling arrangement provides for a single account, into which the balances of all individual participating customer accounts can be transferred and thus extinguished;

(b) the bank (i) has a legally enforceable right to transfer the balances of the individual participating customer accounts into a single account so that the bank is not liable for the balances on an individual basis; and (ii) at any point in time, the bank shall have the discretion and be in a position to exercise this right;

(c) the Reserve Bank does not deem as inadequate the frequency by which the balances of individual participating customer accounts are transferred to a single account;

(d) there are no maturity mismatches among the balances of the individual participating customer accounts included in the cash pooling arrangement or all balances are either overnight or on demand; and

(e) the bank charges or pays interest and / or fees based on the combined balance of the individual participating customer accounts included in the cash pooling arrangement.

(iii) In the event the above-mentioned conditions [(a) to (e)] are not met, the individual balances of the participating customer accounts shall be reflected separately in the leverage ratio exposure measure.

Explanation - Cash pooling refers to arrangements involving treasury products whereby a bank combines the credit and / or debit balances of several individual participating customer accounts into a single account balance to facilitate cash and / or liquidity management.

267. Derivative exposures

(1) For the purpose of the leverage ratio exposure measure, exposures to derivatives are included by means of two components:

(i) replacement cost (RC); and

(ii) potential future exposure (PFE).

The leverage ratio framework uses the method set out below to capture both of these components.

(2) A bank shall calculate its exposures associated with all derivative transactions, including where the bank sells protection using a credit derivative, as a scalar multiplier alpha set at 1.4 times the sum of the RC and the PFE, as described in paragraph 267(3). If the derivative exposure is covered by an eligible bilateral netting contract as specified in paragraph 87(2), a specific treatment may be applied. Written credit derivatives are subject to an additional treatment, as set out in paragraph 267(7) below.

Note -

(1) If, under the relevant accounting standards, there is no accounting measure of exposure for certain derivative instruments because they are held completely off-balance sheet, a bank shall use the sum of positive fair values of these derivatives as the RC.

(2) With reference to the specific treatment as indicated in paragraph 267(3), netting rules are with the exception of cross-product netting i.e., cross-product netting shall not be permitted in determining the leverage ratio exposure measure. However, where a bank has a cross-product netting agreement in place that meets the eligibility criteria of paragraph 87(2), it may choose to perform netting separately in each product category provided that all other applicable conditions for netting in this product category are met.

(3) The amount to be included in the leverage ratio exposure measure is calculated according to the formula below. For derivative transactions not covered by an eligible bilateral netting contract as specified in paragraph 87(2), the amount to be included in the leverage ratio exposure measure is determined, for each transaction separately. When an eligible bilateral netting contract is in place, the formula below is applied at the netting set level.

Exposure measure = alpha * (RC + PFE)

Where:

(i) alpha is 1.4;

(ii) RC is the replacement cost of a transaction or netting set measured as:

$$RC = \max \left(V - CVM_r + CVM_p , 0 \right)$$

Where:

(a) V is the market value of the individual derivative transaction or of the derivative transactions in a netting set;

(b) CVM_r is the cash variation margin received that meets the conditions set out in paragraph 267(5) and for which the amount has not already reduced the market value of the derivative transaction V under the bank's operative accounting standard; and

(c) CVM_p is the cash variation margin provided by the bank and that meets the same conditions.

(iii) The PFE for derivative exposures shall be calculated in accordance with paragraph 12 of the Reserve Bank of India (Commercial Banks – Forthcoming Instructions) Amendment Directions, 2026 - Draft. Mathematically:

$$PFE = \text{multiplier} \times AddOn^{aggregate}$$

(a) For the purposes of the leverage ratio framework, the multiplier is fixed at one.

(b) When calculating the add-on component, for all margined transactions the maturity factor set out in paragraph 12(35) to 12(39) of the Reserve Bank of India (Commercial Banks – Forthcoming Instructions) Amendment Directions, 2026 – Draft shall be used.

(c) As written options create an exposure to the underlying, they shall be included in the leverage ratio exposure measure, even if certain written options are permitted the zero exposure at default treatment allowed in the risk-based capital framework.

(4) Treatment of collateral

(i) Collateral received: Collateral received in connection with derivative contracts does not necessarily reduce the leverage inherent in a bank's derivative position, which is generally the case if the settlement exposure arising from the underlying derivative contract is not reduced. As a general principle of the Basel III leverage ratio framework and unless otherwise permitted, collateral received shall not be netted against derivative exposures whether or not netting is permitted under the bank's operative accounting or risk-based capital framework. Hence, when calculating the exposure amount by applying paragraphs 267(2) and 267(3) above, a bank shall not reduce the leverage ratio exposure measure amount by any collateral received from the counterparty. This implies that the RC cannot be reduced by collateral received and that the multiplier referenced in paragraph 267(3)(iii) is fixed at one for the purpose of the PFE calculation. However, the maturity factor in the PFE add-on calculation can recognise the PFE-reducing effect from the regular exchange of variation margin as specified in paragraph 267(3)(iii).

(ii) Collateral provided: With regard to collateral provided, a bank shall gross up its leverage ratio exposure measure by the amount of any derivatives collateral provided where the provision of that collateral has reduced the value of its balance sheet assets under its operative accounting framework.

(5) Treatment of cash variation margin

(i) In the treatment of derivative exposures for the purpose of the leverage ratio exposure measure, the cash portion of variation margin exchanged between counterparties may be viewed as a form of pre-settlement payment if the following conditions are met:

(a) For trades not cleared through a qualifying central counterparty (QCCP), the cash received by the recipient counterparty is not segregated. Cash variation margin would satisfy the non-segregation criterion if the recipient counterparty has no restrictions by law, regulation, or any agreement with the counterparty on the ability to use the cash received (i.e., the cash variation margin received is used as its own cash).

(b) Variation margin is calculated and exchanged on at least a daily basis based on mark-to-market valuation of derivative positions. To meet this criterion, derivative positions shall be valued daily and cash variation margin shall be transferred at least daily to the counterparty or to the counterparty's account, as appropriate. Cash variation margin exchanged on the morning of the subsequent trading day based on the previous, end-of-day market values would meet this criterion.

(c) The variation margin is received in a currency specified in the derivative contract, governing master netting agreement (MNA), credit support annex (CSA) to the qualifying MNA or as defined by any netting agreement with a CCP.

(d) Variation margin exchanged is the full amount that would be necessary to extinguish the mark-to-market exposure of the derivative subject to the threshold and minimum transfer amounts applicable to the counterparty. In situations where a margin dispute arises, the amount of non-disputed variation margin that has been exchanged can be recognised.

(e) Derivative transactions and variation margins are covered by a single MNA between the legal entities that are the counterparties in the derivative transaction. The MNA shall explicitly stipulate that the counterparties agree to settle net any payment obligations covered by such a netting agreement, taking into account any variation margin received or provided if a credit event occurs involving either counterparty. The MNA shall be legally enforceable and effective [i.e., it satisfies the conditions in paragraph 87(2)] in all relevant jurisdictions, including in the event of default and bankruptcy or insolvency. For the purposes of this paragraph, the term 'MNA' includes any netting agreement that provides legally enforceable rights of offset and a Master MNA may be deemed to be a single MNA.

(ii) If the conditions in paragraph 267(5)(i) are met, the cash portion of variation margin received may be used to reduce the RC portion of the leverage ratio exposure measure, and the receivables assets from cash variation margin provided may be deducted from the leverage ratio exposure measure as follows:

(a) In the case of cash variation margin received, the receiving bank may reduce the RC (but not the PFE component) of the exposure amount of the derivative asset as specified in paragraph 267(3).

(b) In the case of cash variation margin provided to a counterparty, the posting bank may deduct the resulting receivable from its leverage ratio exposure measure where the cash variation margin has been recognised as an asset under the bank's operative accounting framework, and instead include the cash variation margin provided in the calculation of the derivative RC as specified in paragraph 267(3)(ii).

(6) Treatment of transactions where a bank acts as clearing member

(i) Where a bank acting as clearing member (CM) offers clearing services to clients, the CM's trade exposures to the CCP that arise when the CM is obligated to reimburse the client for any losses suffered due to changes in the value of its transactions in the event that the CCP defaults shall be captured by applying the same treatment that applies to any other type of derivative transaction. However, if the CM, based on the contractual arrangements with the client, is not obligated to reimburse the client for any losses suffered in the event that a QCCP defaults, the CM is not required to recognise the resulting trade exposures to the QCCP in the leverage ratio exposure measure. In addition, where a bank provides clearing services as a 'higher level client' within a multi-level client structure, the bank is not required to recognise in its leverage ratio exposure measure the resulting trade exposures to the CM or to an entity that serves as a higher level client to the bank in the leverage ratio exposure measure if it meets all of the following conditions:

(a) The offsetting transactions are identified by the QCCP as higher level client transactions and collateral to support them is held by the QCCP and / or the CM, as applicable, under arrangements that prevent any losses to the higher level client due to:

  (i) the default or insolvency of the CM;

  (ii) the default or insolvency of the CM's other clients; and

  (iii) the joint default or insolvency of the CM and any of its other clients. This means that upon the insolvency of the CM, there is no legal impediment (other than the need to obtain a court order to which the client is entitled) to the transfer of the collateral belonging to clients of a defaulting CM to the QCCP, to one or more other surviving CMs or to the client or the client's nominee;

(b) The bank shall have conducted a sufficient legal review (and undertake such further review as necessary to ensure continuing enforceability) and have a well-founded basis to conclude that, in the event of legal challenge, the relevant courts and administrative authorities would find that such arrangements mentioned above would be legal, valid, binding and enforceable under relevant laws of the relevant jurisdiction(s);

(c) Relevant laws, regulation, rules, contractual or administrative arrangements provide that the offsetting transactions with the defaulted or insolvent CM are highly likely to continue to be indirectly transacted through the QCCP, or by the QCCP, if the CM defaults or becomes insolvent. In such circumstances, the higher level client positions and collateral with the QCCP will be transferred at market value unless the higher level client requests to close out the position at market value; and

(d) The bank is not obligated to reimburse its client for any losses suffered in the event of default of either the CM or the QCCP.

Note -

(1) The terms ‘clearing member’, ‘trade exposures’, ‘central counterparty’ and ‘qualifying central counterparty’ are as defined as in paragraph 4. In addition, for the purposes of this paragraph, the term ‘trade exposures’ includes initial margin irrespective of whether or not it is posted in a manner that makes it remote from the insolvency of the CCP.

(2) In case of condition (c) above, if there is a clear precedent for transactions being ported at a QCCP and industry intent for this practice to continue, then these factors shall be considered when assessing if trades are highly likely to be ported. The fact that QCCP documentation does not prohibit client trades from being ported is not sufficient to say they are highly likely to be ported.

Explanation – A multi-level client structure is one in which a bank can centrally clear as indirect clients; that is, when clearing services are provided to the bank by an institution which is not a direct CM, but is itself a client of a CM or another clearing client. The term ‘higher level client’ refers to the institution that provides clearing services.

(ii) Pursuant to paragraph 267(6)(i) above, for derivative exposures associated with the bank’s offering of client clearing services, the RC and the PFE of the exposure to the client (or the exposure to the ‘lower level client’ in the case of a multi-level client structure) shall be calculated according to paragraphs 11 and 12 of the Reserve Bank of India (Commercial Banks –

Forthcoming Instructions) Amendment Directions, 2026 – Draft. For the determination of RC and PFE, the amount of initial margin received by a bank from its client that may be included in the values of 'C' and 'NICA' shall be limited to the amount that is subject to appropriate segregation by the bank as defined in the relevant jurisdiction.

Note - The term 'lower level client' refers to the institution that clears through that client.

(iii) Where a client enters directly into a derivative transaction with the CCP and the CM guarantees the performance of its client's derivative trade exposures to the CCP, a bank acting as the CM for the client to the CCP shall calculate its related leverage ratio exposure resulting from the guarantee as a derivative exposure as set out in paragraphs 267(2) to 267(5), as if it had entered directly into the transaction with the client, including with regard to the receipt or provision of cash variation margin.

(iv) For the purposes of paragraphs 267(6)(i) and 267(6)(iii), an entity affiliated to the bank acting as a CM may be considered a client if it is outside the relevant scope of regulatory consolidation (mentioned in paragraph 263). In contrast, if an affiliate entity falls within the regulatory scope of consolidation, the trade between the affiliate entity and the CM is eliminated in the course of consolidation but the CM still has a trade exposure to the CCP. In this case, the transaction with the CCP shall be considered proprietary and the exemption in paragraph 267(6)(i) shall not apply.

(7) Treatment of written credit derivatives

(i) In addition to the CCR exposure arising from the fair value of the contracts, written credit derivatives create a notional credit exposure arising from the creditworthiness of the reference entity. Therefore, a bank shall treat written credit derivatives consistently with cash instruments (e.g., loans, bonds) for the purposes of the leverage ratio exposure measure, as provided below:

(a) In order to capture the credit exposure to the underlying reference entity, in addition to the above treatment for derivatives and related collateral, the effective notional amount referenced by a written credit derivative is to be included in the leverage ratio exposure measure unless the written credit derivative is included in a transaction cleared on the behalf of a client of the bank acting as a CM [or acting as a clearing services provider in a multi-level client structure as referenced in paragraph 267(6)(i)] and the transaction meets the requirements of paragraph 267(6)(i) for the exclusion of trade exposures to the QCCP [or, in the case of a multi-level client structure, the requirements of paragraph 267(6)(i) for the exclusion of trade exposures to the CM or the QCCP].

(b) The 'effective notional amount' is obtained by adjusting the notional amount to reflect the true exposure of contracts that are leveraged or otherwise enhanced by the structure of the transaction. Further, the effective notional amount of a written credit derivative may be reduced by any negative change in fair value amount that has been incorporated into the calculation of Tier 1 capital with respect to the written credit derivative. For example, if a written credit derivative had a positive fair value of 20 on one date and has a negative fair value of 10 on a subsequent reporting date, the effective notional amount of the credit derivative may be reduced by 10. The effective notional amount cannot be reduced by 30. However, if on the subsequent reporting date, the credit derivative has a positive fair value of five, the effective notional amount cannot be reduced at all. This treatment is consistent with the rationale that the effective notional amounts included in the exposure measure may be capped at the level of the maximum potential loss, which means that the maximum potential loss at the reporting date is the notional amount of the credit derivative minus any negative fair value that has already reduced Tier 1 capital.

(c) The resulting amount may be further reduced by the effective notional amount of a purchased credit derivative on the same reference name, provided that:

   (i) the credit protection purchased through credit derivatives is otherwise subject to the same or more conservative material terms as those in the corresponding written credit derivative. This ensures that if a bank provides written protection via some type of credit derivative, the bank may only recognise offsetting from another purchased credit derivative to the extent that the purchased protection is certain to deliver a payment in all potential future states. Material terms include the level of subordination, optionality, credit events, reference, and any other characteristics relevant to the valuation of the derivative. For example, the application of the same material terms condition shall result in the following treatments:

(a) in the case of single name credit derivatives, the credit protection purchased through credit derivatives is on a reference obligation which ranks *pari passu* with or is junior to the underlying reference obligation of the written credit derivative. Credit protection purchased through credit derivatives that references a subordinated position may offset written credit derivatives on a more senior position of the same reference entity as long as a credit event on the senior reference asset would result in a credit event on the subordinated reference asset; and

(b) for tranched products, the credit protection purchased through credit derivatives shall be on a reference obligation with the same level of seniority.

(ii) the remaining maturity of the credit protection purchased through credit derivatives is equal to or greater than the remaining maturity of the written credit derivative;

(iii) the credit protection purchased through credit derivatives is not purchased from a counterparty whose credit quality is highly correlated with the value of the reference;

Note - Specifically, the credit quality of the counterparty shall not be positively correlated with the value of the reference obligation (i.e., the credit quality of the counterparty falls when the value of the reference obligation falls and the value of the purchased credit derivative increases). In making this determination, there does not need to exist a legal connection between the counterparty and the underlying reference entity.

(iv) in the event that the effective notional amount of a written credit derivative is reduced by any negative change in fair value reflected in a bank's Tier 1 capital, the effective notional amount of the offsetting credit protection purchased through credit derivatives shall also be reduced by any resulting positive change in fair value reflected in Tier 1 capital; and

(v) the credit protection purchased through credit derivatives is not included in a transaction that has been cleared on behalf of a client [or that has been cleared by the bank in its role as a clearing services provider in a multi-level client services structure as referenced in paragraph 267(6)(i)] and for which the effective notional amount referenced by the corresponding written credit derivative is excluded from the leverage ratio exposure measure according to this paragraph.

Note -

(1) For the purposes of offsetting: (i) when a purchased credit derivative transaction exists, the effective notional amount of the written credit derivative may be reduced by any negative change in fair value reflected in Tier 1 capital provided that the effective notional amount of the offsetting purchased credit derivative is also reduced by any resulting positive change in fair value reflected in Tier 1 capital; and (ii) when a purchased credit derivative transaction exists, and the effective notional amount of the purchased credit derivative has not been reduced by any resulting positive change in fair value reflected in Tier 1 capital, the effective notional amount of the written credit derivative may only be offset if the effective notional amount of that written credit derivative has not been reduced by any negative change in fair value reflected in Tier 1 capital.

(2) Credit protection purchased through a credit derivative on a pool of reference assets cannot offset a written credit derivative unless both

instruments reference the same pool of reference assets and the level of subordination of both transactions is identical. Hence, for example, tranched junior position hedges through credit derivatives that meet the following criteria are not eligible for offsetting senior tranched protection sold: (i) the junior and senior tranches are on the same pool of reference entities; (ii) the level of seniority of the debt of each of the reference entities in the portfolio is the same; (iii) the designated credit events for the credit protection sold on the senior tranche, and purchased on the junior tranche, are the same; and (iv) the anticipated economic recovery on the junior tranched protection purchased is equal to or greater than the anticipated economic loss on the senior tranched protection sold.

(3) A bank may offset the effective notional amount of the written credit derivative sold to a client by means of a credit derivative on the same underlying name purchased from a CCP (i.e., the bank enters into a back-to-back trade with a CCP) provided that the criteria in paragraph 267(7)(i) are met.

(ii) For the purposes of paragraph 267(7)(i), the term ‘written credit derivative’ refers to a broad range of credit derivatives through which a bank effectively provides credit protection and is not limited solely to credit default swaps and total return swaps. For example, all options where a bank has the obligation to provide credit protection under certain conditions qualify as ‘written credit derivatives’. The effective notional amount of such options sold by the bank may be offset by the effective notional amount of options by which the bank has the right to purchase credit protection which fulfils the conditions of paragraph 267(7)(i). For example, the condition of same or more conservative material terms as those in the corresponding written credit derivatives as referenced in paragraph 267(7)(i) can be considered met only when the strike price of the underlying purchased credit protection is equal to or lower than the strike price of the underlying sold credit protection.

(iii) For the purposes of paragraph 267(7)(i), two reference names are considered identical only if they refer to the same legal entity. Credit protection on a pool of reference names purchased through credit derivatives may offset credit protection sold on individual reference names if the credit protection purchased is economically equivalent to purchasing credit protection separately on each of the individual names in the pool (this would, for example, be the case if a bank were to purchase credit protection on an entire securitisation structure). If a bank purchases credit protection on a pool of reference names through credit derivatives, but the credit protection purchased does not cover the entire pool (i.e., the protection covers only a subset of the pool, as in the case of an nth-to-default credit derivative or a securitisation tranche), then the written credit derivatives on the individual reference names may not be offset. However, such purchased credit protection may offset written credit derivatives on a pool provided that the credit protection purchased through credit derivatives covers the entirety of the subset of the pool on which the credit protection has been sold.

(iv) Where a bank purchases credit protection through a total return swap (TRS) and records the net payments received as net income, but does not record offsetting deterioration in the value of the written credit derivative (either through reductions in fair value or by an addition to reserves) in Tier 1 capital, the credit protection shall not be recognised for the purpose of offsetting the effective notional amounts related to written credit derivatives.

(v) Since written credit derivatives are included in the leverage ratio exposure measure at their effective notional amounts, and are also subject to amounts for PFE, the leverage ratio exposure measure for written credit derivatives may be overstated. A bank may therefore choose to exclude from the netting set for the PFE calculation the portion of a written credit derivative which is not offset according to paragraph 267(7)(i) and for which the effective notional amount is included in the leverage ratio exposure measure.

Note - The condition in paragraph 267(7)(v) regarding the removal of a PFE add-on associated with a written credit derivative from the leverage ratio exposure measure refers only to the offset by credit protection purchased through a credit derivative according to paragraph 267(7)(i) and not to the reduction of the effective notional amount as a result of the negative change in fair value that has reduced Tier 1 capital.

268. Securities Financing Transaction (SFT) exposures

(1) SFTs are included in the leverage ratio exposure measure according to the treatment described below.

(2) General treatment (bank acting as principal): A bank shall include the sum of the amounts in subparagraphs (i) and (ii) below in the leverage ratio exposure measure:

(i) Gross SFT assets recognised for accounting purposes (i.e., with no recognition of accounting netting), adjusted as follows:

(a) excluding from the leverage ratio exposure measure the value of any securities received under an SFT, where a bank has recognised the securities as an asset on its balance sheet; and

Note - This may apply, for example, where securities received under an SFT may be recognised as assets if the recipient has the right to rehypothecate but has not done so.

(b) cash payables and cash receivables in SFTs with the same counterparty may be measured net if all the following criteria are met:

(i) transactions have the same explicit final settlement date. Hence, transactions with no explicit end date but which can be unwound at any time by either party to the transaction are not eligible;

(ii) the right to set off the amount owed to the counterparty with the amount owed by the counterparty is legally enforceable both currently in the normal course of business and in the event of the counterparty's (a) default; (b) insolvency; or (c) bankruptcy; and

(iii) the counterparties intend to settle net, settle simultaneously, or the transactions are subject to a settlement mechanism that results in the functional equivalent of net settlement – that is, the cash flows of the transactions are equivalent, in effect, to a single net amount on the settlement date. To achieve such equivalence, both transactions are settled through the same settlement system and the settlement arrangements are supported by cash and / or intraday credit facilities intended to ensure that settlement of both transactions will occur by the end of the business day and any issues arising from the securities legs of the SFTs do not interfere with the completion of the net settlement of the cash receivables and payables. In particular, this latter condition means that the failure of any single securities transaction in the settlement mechanism may delay settlement of only the matching cash leg or create an obligation to the settlement mechanism, supported by an associated credit facility. If there is a failure of the securities leg of a transaction in such a mechanism at the end of the window for settlement in the settlement mechanism, then this transaction and its matching cash leg shall be split out from the netting set and treated gross.

Note –

(1) For SFT assets subject to novation and cleared through QCCPs, 'gross SFT assets recognised for accounting purposes' are replaced by the final contractual exposure, i.e., the exposure to the QCCP after the process of novation has been applied, given that pre-existing contracts have been replaced by new legal obligations through the novation process. However, a bank can only net cash receivables and cash payables with a QCCP if the criteria in paragraph 268(2)(i) are met. Any other netting permitted by the QCCP is not permitted for the purposes of the Basel III leverage ratio.

(2) 'Gross SFT assets recognised for accounting purposes' shall not recognise any accounting netting of cash payables against cash receivables.

(3) The criteria in paragraph 268(2)(i)(b)(iii) above are not intended to preclude a DvP settlement mechanism or other type of settlement mechanism, provided that the settlement mechanism meets the functional requirements set out in paragraph 268(2)(i)(b)(iii). For example, a settlement mechanism may meet these functional requirements if any failed transactions (i.e., the securities that failed to transfer and the related

cash receivable or payable) can be re-entered in the settlement mechanism until they are settled.

(ii) A measure of CCR calculated as the current exposure without an add-on for PFE, calculated as follows:

(a) Where a qualifying MNA is in place, the current exposure (E^*) is the greater of zero and the total fair value of securities and cash lent to a counterparty for all transactions included in the qualifying MNA (ΣE_i), less the total fair value of cash and securities received from the counterparty for those transactions (ΣC_i). This is illustrated in the following formula:

$$E^* = \max \{0, [\Sigma E_i - \Sigma C_i]\}$$

(b) Where no qualifying MNA is in place, the current exposure for transactions with a counterparty shall be calculated on a transaction-by-transaction basis – that is, each transaction 'i' is treated as its own netting set, as shown in the following formula:

$$E_i^* = \max \{0, [E_i - C_i]\}$$

(c) E_i^* may be set to zero if:

(i) E_i is the cash lent to a counterparty;

(ii) this transaction is treated as its own netting set; and

(iii) the associated cash receivable is not eligible for the netting treatment in paragraph 268(2)(i).

Note -

(1) For the purposes of paragraph 268(2)(ii), the term 'counterparty' includes not only the counterparty of the bilateral repo transactions but also triparty repo agents that receive collateral in deposit and manage the collateral in the case of triparty repo transactions. Therefore, securities deposited at triparty repo agents shall be included in 'total value of securities and cash lent to a counterparty' (E) up to the amount effectively lent to the counterparty in a repo transaction. However, excess collateral that has been deposited at triparty agents but that has not been lent out may be excluded.

(2) For the purposes of paragraph 268(2)(ii), a ‘qualifying’ MNA is one that meets the requirements under paragraph 87(1).

(3) Sale accounting transaction

Leverage may remain with the lender of the security in an SFT whether or not sale accounting is achieved under the operative accounting framework. As such, where sale accounting is achieved for an SFT under a bank’s operative accounting framework, the bank shall reverse all sales-related accounting entries, and then calculate its exposure as if the SFT had been treated as a financing transaction under the operative accounting framework [i.e., the bank shall include the sum of amounts in subparagraphs (i) and (ii) of paragraph 268(2) for such an SFT] for the purpose of determining its leverage ratio exposure measure.

(4) Bank acting as agent in an SFT

(i) A bank acting as agent in an SFT generally provides an indemnity or guarantee to only one of the two parties involved, and only for the difference between the value of the security or cash its customer has lent and the value of collateral the borrower has provided. In this situation, the bank is exposed to the counterparty of its customer for the difference in values rather than to the full exposure to the underlying security or cash of the transaction (as is the case where the bank is one of the principals in the transaction).

(ii) Where a bank acting as agent in an SFT provides an indemnity or guarantee to a customer or counterparty for any difference between the value of the security or cash the customer has lent and the value of collateral the borrower has provided and the bank does not own or control the underlying cash or security resource, the bank shall calculate its leverage ratio exposure measure according to paragraph 268(2)(ii).

Note - Where, in addition to the conditions in paragraphs 268(2) to 268(4)(iii), a bank acting as an agent in an SFT does not provide an indemnity or guarantee to any of the involved parties, the bank is not exposed to the SFT and therefore need not recognise the SFT in its leverage ratio exposure measure.

(iii) A bank acting as agent in an SFT and providing an indemnity or guarantee to a customer or counterparty will be considered eligible for the exceptional treatment set out in paragraph 268(4)(ii) only if the bank's exposure to the transaction is limited to the guaranteed difference between the value of the security or cash its customer has lent and the value of the collateral the borrower has provided. In situations where the bank is further economically exposed (i.e., beyond the guarantee for the difference) to the underlying security or cash in the transaction, a further exposure equal to the full amount of the security or cash shall be included in the leverage ratio exposure measure. Such situation can arise, for example, due to a bank managing collateral received in the bank's name or on its own account rather than on the customer's or borrower's account (e.g., by on-lending or managing unsegregated collateral, cash, or securities). However, this does not apply to client omnibus accounts that are used by agent lenders to hold and manage client collateral provided that client collateral is segregated from the bank's proprietary assets and the bank calculates the exposure on a client-by-client basis.

(iv) Where a bank acting as agent provides an indemnity or guarantee to both parties involved in an SFT (i.e., securities lender and securities borrower), the bank shall calculate its leverage ratio exposure measure in accordance with paragraphs 268(2) to 268(4)(iii) separately for each party involved in the transaction.

(5) An illustrative example of exposure measure for SFT transactions is as under.

Illustrative balance sheet of banks								
Bank A					**Bank B**			
Liabilities		**Assets**			**Liabilities**		**Assets**	
Item	**Amount**	**Item**	**Amount**		**Item**	**Amount**	**Item**	**Amount**
		Cash	100				Cash	0
Capital	153	Securities	53		Capital	104	Securities	104
Total	153	Total	153		Total	104	Total	104

SFT transactions										
Reverse repo of bank A with bank B	**Bank A lends cash of 100 to bank B against security of 104**									
	Capital	153	Cash	0		Capital	104	Cash	100
			Securities	53				Securities	104
			Receivable SFT	100		Payable SFT	100		
	Total	**153**	**Total**	**153**		**Total**	**204**	**Total**	**204**

Repo of bank A with bank B	**Bank A borrows cash of 50 from bank B against security of 53**								
	Capital	153	Cash	50		Capital	104	Cash	50
			Securities	53				Securities	104
	Payable SFT	50	Receivable SFT	100		Payable SFT	100	Receivable SFT	50
	Total	**203**	**Total**	**203**		**Total**	**204**	**Total**	**204**

Leverage Ratio Exposure					
Item	**Bank A**			**Bank B**	
	Exposure where netting of SFT exposures is not permissible	**Exposure where netting of SFT exposures is permissible**		**Exposure where netting of SFT exposures is not permissible**	**Exposure where netting of SFT exposures is permissible**
On-balance sheet items	103	103		154	154
Gross SFT assets	100	100		50	50
Netted amount of Gross SFT assets	-	50*		-	0*
CCR exposure for SFT assets	3	0#		4	1#
Total SFT exposures	103	50		54	1
Total Exposures	206	153		208	155

*Max ((SFT receivable -SFT payable), 0)

#CCR exposure = Max ((total cash / securities receivable - total cash / securities payable), 0)

269. Off-Balance Sheet (OBS) items

(1) This section explains the treatment of OBS items for inclusion in the leverage ratio exposure measure. These treatments reflect those defined in the standardised approach for credit risk and standardised approach for counterparty credit risk, as well as treatments unique to the leverage ratio framework. OBS items include commitments (including liquidity facilities), whether or not unconditionally cancellable, direct credit substitutes, acceptances, standby letters of credit and trade letters of credit. If the OBS item is treated as a derivative exposure as per a bank's applicable accounting standard, the item shall be measured as a derivative exposure for the purpose of the leverage ratio exposure measure. In this case, the bank does not need to apply the OBS item treatment to the exposure.

(2) In the risk-based capital framework, OBS items are converted under the standardised approach for credit risk into credit exposure equivalents through the use of credit conversion factors (CCFs). For the purpose of determining the exposure amount of OBS items for the leverage ratio, the CCFs set out in paragraphs 269(4) and 269(5) shall be applied to the notional amount.

(3) In addition, specific and general provisions set aside against OBS exposures that have decreased Tier 1 capital may be deducted from the credit exposure equivalent amount of those exposures (i.e., the exposure amount after the application of the relevant CCF). However, the resulting total OBS equivalent amount for OBS exposures cannot be less than zero.

(4) For the purposes of the leverage ratio, OBS items shall be converted into credit exposures by multiplying the committed but undrawn amount by a CCF. For these purposes, commitment shall have the same meaning as in the Reserve Bank of India (Commercial Banks - Capital Charge for Credit Risk – Standardised Approach) Directions, 2026. Further, CCF for this purpose shall be as prescribed in paragraph 22 of the Directions *ibid.*

(5) OBS securitisation exposures shall be treated as per paragraph 89 of these Directions."

4(4) Paragraph 270 shall be substituted with the following, namely:

"270. A bank shall comply with the following norms for disclosure and reporting of leverage ratio:

(1) A bank shall publicly disclose its quarterly Basel III leverage ratio both on a standalone and consolidated basis;

(2) A bank shall also report its leverage ratio to the Reserve Bank (Department of Supervision) along with detailed calculations of capital and exposure measures on a quarterly basis; and

(3) A bank shall also make disclosures in Template LR1 and Template LR2 of Annex III: Pillar 3 disclosure requirements."

4(5) Paragraph 271 shall stand deleted.

4(6) Paragraph 4 of 'Annex III: Pillar 3 Disclosure requirements' shall be substituted with the guidelines provided in the Annex of these Amendment Directions.

5. These Amendment Directions shall come into effect from April 1, 2027.

(Sunil T S Nair)
Chief General Manager

Annex

4. Leverage ratio disclosures

(1) The disclosure requirements for leverage ratio are:

- Template LR1 - Summary comparison of accounting assets vs leverage ratio exposure measure; and
- Template LR2 - Leverage ratio common disclosure template.

(2) Template LR1 provides a reconciliation of a bank's total assets as published in its financial statements to the leverage ratio exposure measure, and Template LR2 provides a breakdown of the components of the leverage ratio exposure measure.

Template LR1: Summary comparison of accounting assets vs leverage ratio exposure measure

Purpose: To reconcile the total assets in the published financial statements with the leverage ratio exposure measure.
Scope of application: The table is mandatory for all banks.
Content: Quantitative information. The leverage ratio standard of the Basel framework follows the same scope of regulatory consolidation as used for the risk-based capital requirements standard. Disclosures shall be reported on a quarter-end basis. However, a bank may, subject to approval from or due to requirements specified by the Reserve Bank, use more frequent calculations (e.g., daily or monthly averaging). A bank is required to include the basis for its disclosures (e.g., quarter-end, daily averaging or monthly averaging, or a combination thereof).
Frequency: Quarterly.
Format: Fixed.
Accompanying narrative: A bank is required to disclose and detail the source of material differences between its total balance sheet assets, as reported in its financial statements, and its leverage ratio exposure measure.

		a	
1	Total consolidated assets as per published financial statements		
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation		
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference		
4	Adjustments for temporary exemption of central bank reserves (if applicable)		
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure		
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting		

7	Adjustments for eligible cash pooling transactions		
8	Adjustments for derivative financial instruments		
9	Adjustment for securities financing transactions (i.e., repurchase agreements and similar secured lending)		
10	Adjustment for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)		
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital		
12	Other adjustments		
13	**Leverage ratio exposure measure**		

Definitions and instructions		
Row number	**Explanation**	
1	The bank's total consolidated assets as per published financial statements.	
2	Where a banking, financial, insurance or commercial entity is outside the regulatory scope of consolidation, only the amount of the investment in the capital of that entity (i.e., only the carrying value of the investment, as opposed to the underlying assets and other exposures of the investee) shall be included in the leverage ratio exposure measure. However, investments in those entities that are deducted from the bank's CET1 capital or from Additional Tier 1 capital in accordance with paragraph 28, shall also be deducted from the leverage ratio exposure measure. As these adjustments reduce the total leverage ratio exposure measure, they shall be reported as a negative amount.	
3	This row shows the reduction of the leverage ratio exposure measure due to the exclusion of securitised exposures that meet the operational requirements for the recognition of risk transference according to paragraph 96 of these Directions. As these adjustments reduce the total leverage ratio exposure measure, they shall be reported as a negative amount.	
4	Adjustments related to the temporary exclusion of central bank reserves from the leverage ratio exposure measure, if enacted by the Reserve Bank to facilitate the implementation of monetary policies as per paragraph 265(7). As these adjustments reduce the total leverage ratio exposure measure, they shall be reported as a negative amount.	
5	This row shows the reduction of the consolidated assets for fiduciary assets that are recognised on the bank's balance sheet pursuant to the operative accounting framework and which meet the derecognition criteria or the de-consolidation criteria as per applicable accounting standards. As these adjustments reduce the total leverage ratio exposure measure, they shall be reported as a negative amount.	
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting. The adjustment reflects (i) the reverse-out of any offsetting between cash receivables for unsettled sales and cash payables for unsettled purchases of financial assets that may be recognised under the applicable accounting framework, and (ii) the offset between those cash receivables and cash payables that are eligible per the criteria specified in paragraph 266(3). If this adjustment leads to an increase in exposure, it shall be reported as a positive amount. If this adjustment leads to a decrease in exposure, it shall be reported as a negative amount.	
7	Adjustments for eligible cash-pooling transactions. The adjustment is the difference between the accounting value of cash-pooling transactions and the treatments specified in paragraph 266(4). If this adjustment leads to an increase in exposure, it shall be reported as a positive amount. If this adjustment leads to a decrease in exposure, it shall be reported as a negative amount.	

8	Adjustments related to derivative financial instruments. The adjustment is the difference between the accounting value of the derivatives recognised as assets and the leverage ratio exposure value as determined by application of paragraph 267. If this adjustment leads to an increase in exposure, institutions shall disclose this as a positive amount. If this adjustment leads to a decrease in exposure, institutions shall disclose this as a negative amount.	
9	Adjustments related to Securities Financing Transactions (SFTs) (i.e., repurchase agreements and other similar secured lending). The adjustment is the difference between the accounting value of the SFTs recognised as assets and the leverage ratio exposure value as determined by application of paragraph 268. If this adjustment leads to an increase in the exposure, institutions shall disclose this as a positive amount. If this adjustment leads to a decrease in exposure, institutions shall disclose this as a negative amount.	
10	The credit equivalent amount of off-balance sheet items determined by applying the relevant credit conversion factors to the nominal value of the off-balance sheet item, as specified in paragraphs 269(4) and 269(5). As these amounts increase the total leverage ratio exposure measure, they shall be reported as a positive amount.	
11	Adjustments for prudent valuation adjustments and specific and general provisions that have reduced Tier 1 capital. This adjustment reduces the leverage ratio exposure measure by the amount of prudent valuation adjustments and by the amount of specific and general provisions that have reduced Tier 1 capital as determined by paragraphs 265(3), 266(2), and 269(3) respectively. This adjustment shall be reported as a negative amount.	
12	Any other adjustments. If these adjustments lead to an increase in the exposure, institutions shall report this as a positive amount. If these adjustments lead to a decrease in exposure, the institutions shall disclose this as a negative amount.	
13	The leverage ratio exposure, which should be the sum of the previous items.	

Template LR2: Leverage ratio common disclosure template

Purpose: To provide a detailed breakdown of the components of the leverage ratio denominator, as well as information on the actual leverage ratio, minimum requirements, and buffers.			
Scope of application: The table is mandatory for all banks.			
Content: Quantitative information. Disclosures shall be on a quarter-end basis except where explicitly noted in the instructions for certain rows. However, a bank may, subject to approval from or due to requirements specified by the Reserve Bank, use more frequent calculations (e.g., daily or monthly averaging). A bank is required to include the frequency of calculation for its disclosures (e.g., quarter-end, daily averaging or monthly averaging, or a combination thereof).			
Frequency: Quarterly.			
Format: Fixed.			
Accompanying narrative: A bank shall describe the key factors that have had a material impact on the leverage ratio for this reporting period compared with the previous reporting period. A bank shall also describe the key factors that explain any material differences between the amounts of securities financing transactions (SFTs) that are included in the bank's Pillar 1 leverage ratio exposure measure and the mean values of SFTs that are disclosed in row 28.			
		a	b
		T	T-1
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and SFTs), but including collateral)		

2	Gross-up for derivatives collateral provided where deducted from balance sheet assets pursuant to the operative accounting framework		
3	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)		
4	(Adjustment for securities received under SFTs that are recognised as an asset)		
5	(Specific and general provisions associated with on-balance sheet exposures that are deducted from Tier 1 capital)		
6	(Asset amounts deducted in determining Tier 1 capital and regulatory adjustments)		
7	**Total on-balance sheet exposures** (excluding derivatives and SFTs) (sum of rows 1 to 6)		
Derivative exposures			
8	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and / or with bilateral netting)		
9	Add-on amounts for potential future exposure associated with *all* derivatives transactions		
10	(Exempted central counterparty (CCP) leg of client-cleared trade exposures)		
11	Adjusted effective notional amount of written credit derivatives		
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)		
13	**Total derivative exposures (sum of rows 8 to 12)**		
SFT exposures			
14	Gross SFT assets (with no recognition of netting), after adjustment for sale accounting transactions		
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)		
16	Counterparty credit risk exposure for SFT assets		
17	Agent transaction exposures		
18	**Total SFT exposures (sum of rows 14 to 17)**		
Other off-balance sheet exposures			
19	Off-balance sheet exposure at gross notional amount		
20	(Adjustments for conversion to credit equivalent amounts)		
21	(Specific and general provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)		
22	**Off-balance sheet items (sum of rows 19 to 21)**		
Capital and total exposures			
23	**Tier 1 capital**		
24	**Total exposures (sum of rows 7, 13, 18 and 22)**		
Leverage ratio			

25	**Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves)**		
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves)		
26	**National minimum leverage ratio requirement**		
27	**Applicable leverage buffers**		
Disclosure of mean values			
28	Mean value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables		
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables		
30	Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)		
30a	Total exposures (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)		
31	Basel III leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)		
31a	Basel III leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables)		

Definitions and instructions *SFTs:* transactions such as repurchase agreements, reverse repurchase agreements, securities lending and borrowing, and margin lending transactions, where the value of the transactions depends on market valuations and the transactions are often subject to margin agreements. *Capital measure:* The capital measure for the leverage ratio is the Tier 1 capital of the risk-based capital framework as defined in paragraph 10 of these Directions.

Row number	Explanation
1	A bank shall include all balance sheet assets in its exposure measure, including on-balance sheet derivatives collateral and collateral for SFTs, with the exception of on-balance sheet derivative and SFT assets that are included in rows 8 to 18. Derivatives and SFTs collateral refer to either collateral received or collateral provided (or any associated receivable asset) accounted as a balance sheet asset. Amounts are to be reported in accordance with paragraphs 266(1) to 266(3) and, where applicable, 265(5) and 265(7).
2	Grossed-up amount of any collateral provided in relation to derivative exposures where the provision of that collateral has reduced the value of the balance sheet assets under the bank's operative accounting framework, in accordance with paragraph 267(4)(ii).

3	Deductions of receivable assets in the amount of the cash variation margin provided in derivatives transactions where the posting of cash variation margin has resulted in the recognition of a receivable asset under the bank's operative accounting framework. As the adjustments in this row reduce the exposure measure, they shall be reported as negative figures.
4	Adjustment for securities received under an SFT where the bank has recognised the securities as an asset on its balance sheet. These amounts are to be excluded from the exposure measure in accordance with paragraph 268(2)(i). As the adjustments in this row reduce the exposure measure, they shall be reported as negative figures.
5	Amounts of general and specific provisions that are deducted from Tier 1 capital which shall be deducted from the exposure measure in accordance with paragraph 266(2). As the adjustments in this row reduce the exposure measure, they shall be reported as negative figures.
6	All other balance sheet asset amounts deducted from Tier 1 capital and other regulatory adjustments associated with on-balance sheet assets as specified in paragraph 265(3). As the adjustments in this row reduce the exposure measure, they shall be reported as negative figures.
7	Sum of rows 1 to 6.
8	Replacement cost associated with all derivatives transactions (including exposures resulting from direct transactions between a client and a CCP where the bank guarantees the performance of its clients' derivative trade exposures to the CCP). Where applicable, this amount should be net of cash variation margin received [as set out in paragraph 267(5)(ii)], and with bilateral netting [as set out in paragraph 87(2)]. This amount should be reported with the 1.4 alpha factor applied as specified in paragraph 267(3).
9	Add-on amount for the potential future exposure (PFE) of all derivative exposures calculated in accordance with paragraph 267(3). This amount should be reported with the 1.4 alpha factor applied as specified in paragraph 267(3).
10	Trade exposures associated with the CCP leg of derivatives transactions resulting from client cleared transactions or which the clearing member, based on the contractual arrangements with the client, is not obligated to reimburse the client in respect of any losses suffered due to changes in the value of its transactions in the event that a qualifying central counterparty (QCCP) defaults. As the adjustments in this row reduce the exposure measure, they shall be reported as negative figures.
11	The effective notional amount of written credit derivatives which may be reduced by the total amount of negative changes in fair value amounts that have been incorporated into the calculation of Tier 1 capital with respect to written credit derivatives according to paragraph 267(7).
12	This row comprises: • The amount by which the notional amount of a written credit derivative is reduced by a purchased credit derivative on the same reference name according to paragraph 267(7). • The deduction of add-on amounts for PFE in relation to written credit derivatives determined in accordance with paragraph 267(7)(v). As the adjustments in this row reduce the exposure measure, they shall be reported as negative figures.
13	Sum of rows 8 to 12.
14	The gross amount of SFT assets without recognition of netting, other than novation with QCCPs, determined in accordance with paragraph 268(2) adjusted for any sales accounting transactions in accordance with paragraph 268(3).

15	The cash payables and cash receivables of gross SFT assets with netting determined in accordance with paragraph 268(2)(i)(b). As these adjustments reduce the exposure measure, they shall be reported as negative figures.
16	The amount of the counterparty credit risk add-on for SFTs determined in accordance with paragraph 268(2)(ii).
17	The amount for which the bank acting as an agent in a SFT has provided an indemnity or guarantee determined in accordance with paragraph 268(4).
18	Sum of rows 14 to 17.
19	Total off-balance sheet exposure amounts (excluding off-balance sheet exposure amounts associated with SFT and derivative transactions) on a gross notional basis, before any adjustment for credit conversion factors (CCFs).
20	Reduction in gross amount of off-balance sheet exposures due to the application of CCFs as specified in paragraphs 269(4) and 269(5). As these adjustments reduce the exposure measure, they shall be reported as negative figures.
21	Amounts of specific and general provisions associated with off-balance sheet exposures that are deducted from Tier 1 capital, the absolute value of which is not to exceed the sum of rows 19 and 20. As these adjustments reduce the exposure measure, they shall be reported as negative figures.
22	Sum of rows 19 to 21.
23	The amount of Tier 1 capital of the risk-based capital framework as defined in paragraph 10.
24	Sum of rows 7, 13, 18, and 22.
25	The leverage ratio is defined as the Tier 1 capital measure divided by the exposure measure, with this ratio expressed as a percentage.
25a	If a bank's leverage ratio exposure measure is subject to a temporary exemption of central bank reserves, this ratio is defined as the Tier 1 capital measure divided by the sum of the exposure measure and the amount of the central bank reserves exemption, with this ratio expressed as a percentage. If the bank's leverage ratio exposure measure is not subject to a temporary exemption of central bank reserves, this ratio will be identical to the ratio reported in row 25.
26	The minimum leverage ratio requirement applicable to the bank. This number will be higher if central bank reserves are exempted from the computation of the leverage ratio requirement.
27	Total applicable leverage buffers. To include the G-SIB leverage ratio buffer requirement and any other applicable buffers.
28	Mean of the sums of rows 14 and 15, based on the sums calculated as of each day of the reporting quarter.
29	If rows 14 and 15 are based on quarter-end values, this amount is the sum of rows 14 and 15. If rows 14 and 15 are based on averaged values, this amount is the sum of quarter-end values corresponding to the content of rows 14 and 15.

30	Total exposure measure (including the impact of any applicable temporary exemption of central bank reserves), using mean values calculated as of each day of the reporting quarter for the amounts of the exposure measure associated with gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables).
30a	Total exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves), using mean values calculated as of each day of the reporting quarter for the amounts of the exposure measure associated with gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables). If the bank's leverage ratio exposure measure is not subject to a temporary exemption of central bank reserves, this value will be identical to the value reported in row 30.
31	Tier 1 capital measure divided by the exposure measure (including the impact of any applicable temporary exemption of central bank reserves), using mean values calculated as of each day of the reporting quarter for the amounts of the exposure measure associated with gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables).
31a	Tier 1 capital measure divided by the exposure measure (excluding the impact of any applicable temporary exemption of central bank reserves), using mean values calculated as of each day of the reporting quarter for the amounts of the exposure measure associated with gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables). If the bank's leverage ratio exposure measure is not subject to a temporary exemption of central bank reserves, this ratio will be identical to the value reported in row 31.